

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Park Water Company
(U314W) for authority to issue evidence of
indebtedness and other related requests.

Application 12-10-016
(Filed October 22, 2012)

**DECISION AUTHORIZING PARK WATER COMPANY
TO ISSUE UP TO \$15 MILLION OF NEW DEBT SECURITIES**

TABLE OF CONTENTS

Title	Page
DECISION AUTHORIZING PARK WATER COMPANY TO ISSUE UP TO \$15 MILLION OF NEW DEBT SECURITIES.....	1
1. Summary.....	2
2. Background.....	2
3. Request.....	2
3.1. Requested New Debt Securities	3
3.2. Use of Proceeds from New Debt.....	4
3.3. Request for Exception to Pub. Util. Code § 818	5
3.4. Request for Exemption from the New Financing Rule.....	6
4. Discussion.....	6
4.1. Public Utilities Code Requirements for Issuance of Securities.....	6
4.2. Uses for New Debt	9
4.3. Types of Debt Securities to be Issued	11
4.4. Exception to Pub. Util. Code § 818	11
4.5. Exemption from New Financing Rule	13
5. GO 24-C.....	13
6. Women-Minority-Disabled Veteran Business Enterprises (WMDVBE)	13
7. Fee	13
8. Financial Information.....	14
9. California Environmental Quality Act (CEQA).....	14
10. Category and Need for Hearings	15
11. Waiver of Comment Period	15
12. Assignment of Proceeding	15
Findings of Fact	16
Conclusions of Law.....	20
ORDER.....	20

**DECISION AUTHORIZING PARK WATER COMPANY
TO ISSUE UP TO \$15 MILLION OF NEW DEBT SECURITIES**

1. Summary

This decision grants Park Water Company (Park) the authority to issue new debt securities not exceeding \$15 million, pursuant to Public Utilities Code §§ 816, 817, 818, 824, and 851. This decision also authorizes Park to: 1) guarantee its new debt securities; 2) amend its unsecured line of credit agreement and issue short-term debt securities for as much as 24 months; 3) execute and deliver supplemental indentures; and 4) be exempt from the New Financing Rule.

2. Background

Park Water Company (Park) is a public utility under the jurisdiction of this Commission that provides water service in the southeastern and northeastern sections of Los Angeles County (Central Basin Division of Park). Park also has two wholly owned public utility water subsidiaries: 1) in California, Apple Valley Ranchos Water Company operates in and near the Town of Apple Valley in San Bernardino County; and 2) in the state of Montana, Mountain Water Company operates within and around Missoula, Montana.

On October 22, 2012, Park filed Application (A.) 12-10-016 requesting authorization to issue new debt securities (debt) not exceeding the aggregate amount of \$15 million, and other related requests.

3. Request

Park proposes to issue up to \$15 million of new debt, and use such new debt for proper purposes, pursuant to Public Utilities (Pub. Util.) Code § 817. Park also seeks authorization to: 1) execute and deliver one or more indentures, supplemental indentures, or note purchase agreements; 2) guarantee its new

secured debt pursuant to Pub. Util. Code § 851; 3) amend its unsecured line of credit agreement (Credit Agreement) and issue short-term debt securities for as much as 24 months; and 4) be exempt from the New Financing Rule. Park also requests that it be granted such other and further relief as the Commission may deem appropriate in this matter.

3.1. Requested New Debt Securities

Park anticipates that its new debt would be privately placed, and that its First Mortgage Bonds (secured) would be issued and secured by its Original and supplemental indentures. Park requests that its new secured bonds would be secured by Park's property and assets pursuant to Pub. Util. Code § 851. Park's new long-term debt would have a term of between 10 and 30 years. New short-term debt is discussed in Section 3.3 below.

Park plans to privately place its new First Mortgage Bonds, issued under and secured by its Original Indenture, dated November 1, 1973, between Park and certain Trustees, as supplemented, amended and restated by various indentures issued since 1973. Such new First Mortgage Bonds would be similar to the form of bond included in its Eleventh and Twelfth Supplemental Indentures, dated October 6, 2008, with such changes or additions deemed necessary or appropriate in order to meet current market demands. The Eleventh and Twelfth Supplemental Indentures were entered into in connection with Park's most recent executed issuance of bonds authorized by us in Decision (D.) 08-09-030.

New unsecured debt would be issued subject to a note purchase agreement at terms and conditions consistent with market conditions and market practices.

Park states that it is in compliance with affiliate rules set out in D.06-01-019 that apply to the issuance of new debt. The applicable rules require that:

1. Debt that is issued by Park and subsequently utilized by affiliated companies shall not be issued or guaranteed by Park without prior approval by the Commission.

...

5. Park's financing transactions for any of its affiliates or subsidiaries should not increase costs, or decrease service to its California jurisdictional customers.

3.2. Use of Proceeds from New Debt

Park would use the proceeds from the sale of the new debt for purposes permitted by Pub. Util. Code § 817, including to reimburse moneys already expended from Park's treasury for the construction, completion, extension, or improvement of its facilities from January 1, 2000 through August 31, 2001; and for the retirement of one or more outstanding bonds, notes, or other evidence of indebtedness. In particular, Park proposes to use the proceeds from the issuance of new debt to reimburse its treasury for its payment of the principal and interest to holders of its unsecured notes which matured March 14, 2012; and to reimburse its treasury for the construction, completion, extension, or improvement of facilities which it incurred from January 1, 2000 through August 31, 2001.

In Park's last financing authorization, we granted Park authority to refinance an existing bond and reimburse its treasury for previous capital expenditures funded by earnings and its treasury, incurred between November 1, 1999 through December 31, 1999. Instead of estimating how much it will need in the future for proper purposes pursuant to Pub. Util. Code § 817, it expends the funds first, then requests financing when it has depleted its cash reserves. Park states that this depletion of its cash reserves is exacerbated by

funds totaling \$11.9 million being “tied up” in regulatory assets, primarily associated with un-recovered balances in its Water Rate Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) accounts.

Park borrows funds required by both its California and Montana public utility operations, and transfers capital as needed to its division and subsidiaries through inter-company transactions. Park posits that this allows its subsidiaries to benefit from Park’s greater borrowing power and obtain debt at a lower cost. In Park’s most recent financing authorization, we authorized Park to issue new debt to reimburse its treasury for having paid off selected notes, and for reimbursement of its previous capital expenditures incurred by both its California and Montana public utility operations.¹

3.3. Request for Exception to Pub. Util. Code § 818

Park requests authority to amend the terms of its Credit Agreement, which currently has a term of up to 12 months, to allow the use of short-term debt instruments for terms up to 24 months. This request requires authority for an exception to Pub. Util. Code § 818, which requires that long-term debt (term of greater than 12 months) be used for proper purposes (those listed in Pub. Util. Code § 817) unless expressly permitted in an order authorizing such debt.

Park posits that the issuance cost for long-term debt does not increase directly with the amount of that debt, and that it is more cost-effective to accumulate shorter-term debt in order to eventually issue long-term debt in a larger issuance amount. Park states that this exception would give it the opportunity to avoid periods of market uncertainty when issuing long-term debt

¹ See D.08-09-030 at 5.

instruments and improve its financial flexibility by having the option to defer the issuance of longer term securities. Park would still use such short-term debt for short-term purposes and would still account for it as short-term debt. The Commission has authorized such exceptions in the past for other utilities, when good cause is shown and the purposes of the debt specifically identified.²

3.4. Request for Exemption from the New Financing Rule

The New Financing Rule (Rule) set forth in D.12-06-015, replaced the Competitive Bidding Rule (CBR) authorized in Resolution F-616 in 1986. The Rule provides for exemptions based on a compelling showing by the utility that it qualifies for one of the exemptions listed in Attachment A, page A-6 of D.12-06-015. In the current application, Park requests that it be exempted from the Rule because its request for new debt of \$15 million is much less than the baseline dollar amount for applicability of the Rule of more than \$42 million.

4. Discussion

4.1. Public Utilities Code Requirements for Issuance of Securities

Park's request is subject to Pub. Util. Code §§ 816, 817, 818, 824, and 851. The Commission has broad discretion under § 816 et seq. to determine if a utility should be authorized to issue debt securities. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt securities and stock to protect and promote the public interest.

In part, pursuant to Pub. Util. Code § 816, the Commission, as vested by the state, may prescribe regulations and restrictions on the issuance of debt and

² See Decisions 11-01-034, 10-09-006, and 01-06-016.

equity securities issues by public utilities, and supervise and control their issuance.

Pursuant to Pub. Util. Code § 817, a public utility may only issue and use financing for selected purposes.³ Those purposes not listed in Pub. Util. Code § 817 may only be paid for with funds from normal utility operations.

Pub. Util. Code § 818 states that no public utility may issue notes or other evidences of indebtedness payable at periods of more than 12 months unless, in addition to the other requirements of law, it shall first have secured an order from the Commission authorizing the issue, stating the amount thereof and the

³ Pub. Util. Code § 817. A public utility may issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months after the date thereof, for any one or more of the following purposes and no others:

- (a) For the acquisition of property.
- (b) For the construction, completion, extension, or improvement of its facilities.
- (c) For the improvement or maintenance of its service.
- (d) For the discharge or lawful refunding of its obligations.
- (e) For the financing of the acquisition and installation of electrical and plumbing appliances and agricultural equipment which are sold by other than a public utility, for use within the service area of the public utility.
- (f) For the reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization.
- (g) For the retirement of or in exchange for one or more outstanding stocks or stock certificates or other evidence of interest or ownership of such public utility, or bonds, notes, or other evidence of indebtedness of such public utility, with or without the payment of cash.
- (h) For the reimbursement of moneys actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of the public utility, for any of the aforesaid purposes except maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purposes for which such expenditure was made.

purposes to which the issue or the proceeds thereof are to be applied. Pub. Util. Code § 818 also requires that the Commission, in issuing such an order, find that the money, property, or labor to be procured or paid for with the proceeds of the debt securities authorized is reasonably required for the purposes specified in the order and, unless expressly permitted in an order authorizing debt securities, that those purposes are not, in whole or in part, reasonably chargeable to expenses or to income. Park has substantiated its need for issuance of new debt securities and that the proceeds would be used for proper purposes. Park's request to extend the term of its short-term debt securities is addressed separately in Section 4.4 below.

Since Park's request for issuance of new debt is in compliance with Pub. Util. Code § 816 et seq., we grant it authority to issue up to \$15 million of new debt for proper purposes.

As we did in D.08-09-030, we authorize Park to borrow funds required by both its California and Montana public utility operations, and remind it that it must remain in compliance with all applicable affiliate transaction rules with regard to its relationships with affiliates and subsidiaries, including but not limited to those enumerated in D.04-06-018, D.06-01-019, and D.10-10-019.

Pursuant to Pub. Util. Code § 824, the Commission may require, in part, that public utilities account for the disposition of the proceeds of all sales of stock and debt. Pursuant to this code section, the Commission may also establish rules to insure the disposition of such proceeds are for the purposes required by the authorizing order. General Order (GO) 24-C, discussed in Section 5 below, addresses our requirements regarding how public utilities must account for the proceeds from debt securities.

Pub. Util. Code § 851 requires, in part, that a public utility must first secure Commission authority before it may mortgage or encumber its used and useful assets. We discuss this requirement in Section 4.3 below.

4.2. Uses for New Debt

Park's application for authority to issue securities is based, in part, on its depleted cash reserves and how much it needs to reimburse its treasury for capital expenditures that have already occurred and the refinancing of existing bonds, for both its California and Montana utility operations. These needs comply with Pub. Util. Code § 817 (*See* Table 1 below). Park has no outstanding financing authorization to offset its current need.⁴ As discussed in Section 3.2 above, we authorized this method for determining the reasonableness of the requested funding for Park's California and Montana operations in D.08-09-030, and do so again here.

⁴ Park has used all of its financing authorities from the past 10 years, including authority provided in D.02-02-042, D.06-01-019, and D.08-09-030.

Division/Subsidiary	Reimbursement of Treasury for Capital Expenditures	Total
Payment of Principal and Interest on Notes		\$ 2,444,020
California		
Park - Corporate Division	\$ 1,006,000	
Park - Central Basin Division	\$ 4,580,000	
Apple Valley Ranchos Water Company	\$ 3,672,000	\$ 9,258,000
Montana		
Mountain Water Company*	\$ 4,080,000	\$ 4,080,000
TOTAL		\$15,782,020

* Includes capital expenditures for Linda Vista Water Company which has since been merged into Mountain Water Company

Even though Park shows a need of almost \$15.8 million, it requests \$15 million of new debt. Given that the net need for funds exceeds the request, it is reasonable to authorize Park to issue up to \$15 million of new debt. This new debt will allow Park to reimburse its treasury and refinance existing bonds, to the extent authorized by Pub. Util. Code § 817. We find Park's request to be reasonable and supported by the record.

Granting of financing authority to a utility does not obligate the Commission to approve any capital projects. This financing authority provides

Park with sufficient liquid resources to reimburse its treasury and retire outstanding long-term debt. Review of the reasonableness of capital projects occurs as needed through the regulatory process applicable to each capital project. Therefore, any approval of this financing request does not prejudice any of Park's capital expenditures.

As Park has requested our authority to issue debt that may be utilized by an affiliate, it complies with Rule 1 of D.06-01-019. We remind Park that since Rule 5 of D.06-01-019 addresses cost of service, compliance with it should be assessed in Park's next general rate case (GRC).

4.3. Types of Debt Securities to be Issued

The types of debt requested by Park in the current application (secured First Mortgage Bonds and unsecured bonds), are similar to those types of debt authorized in D.08-09-030. Therefore, we authorize Park to issue the types of debt securities under the terms and conditions detailed in Section 3 of this decision and enumerated in the order herein. Park may secure such new debt by its property and assets pursuant to Pub. Util. Code § 851.

4.4. Exception to Pub. Util. Code § 818

As discussed in Section 3.3 above, Pub. Util. Code § 818 requires that long-term debt securities (term of greater than 12 months) be used for proper purposes, such as purchase of regulatory assets, unless expressly permitted in an order authorizing debt securities. We have authorized such exceptions in the past for other utilities when good cause is shown and the purposes of the debt are specifically identified.

Park believes it is more cost effective, given the cost of issuing long-term debt securities, to accumulate short-term debt in order to eventually issue a

larger amount of long-term debt securities in a single issue.⁵ Park's request would also result in reduced costs of obtaining long-term debt securities by enabling Park to issue larger amounts less frequently. Park also states that it would use such short-term debt for proper short-term purposes, such as for working cash and operating expenses.

We find that issuance of more, less expensive short-term debt in order to accumulate debt securities so that long-term debt securities can be issued in larger, less frequent issues, is a reasonable basis on which to authorize Park to issue short-term debt payable up to a 24-month term. Since Park plans to use this 24-month short-term debt for proper short-term purposes, plans to record such as short-term debt, and given our recent authorization of similar requests, we grant Park an exception to the requirements of Pub. Util. Code § 818 as it applies to short-term debt it issues until it requests new financing again. By doing so, we authorize Park to amend the terms of its Credit Agreement and issue short-term debt under its Credit Agreement for short-term purposes for a term of up to 24 months as ordered herein.

⁵ Park's current short-term borrowing rate currently ranges from approximately 1.96% to 2.71%, while its most recent estimated long-term debt rate is about 6.99%. The terms of Park's current Credit Agreement for short-term debt require a floating interest rate set at the London Interbank Offered Rate (Libor) plus 250 basis points and a 25 basis point availability fee on the unused portion of the credit line. The new Credit Agreement, which would be extendable to 24 months would require a floating interest rate set at Libor plus 175 basis points, a 20 basis point availability fee on the unused portion of the credit line, and a one-time amendment fee of \$25,000. The short-term debt rate varies based on the Libor rate, which is the base rate used to determine the short-term debt rate.

4.5. Exemption from New Financing Rule

Given the amount of its requested new debt securities, we find that Park qualifies for and is therefore granted an exemption from the Rule.

5. GO 24-C

Revisions to GO 24-C include: 1) the filing of a GO 24-C report on a quarterly then semi-annual instead of a monthly basis;⁶ 2) revisions to the type of information provided in such reports; and 3) the elimination of the requirement that a utility maintain a separate bank account to record securities proceeds except as required by the Commission. We remind Park to comply with the new requirements of GO 24-C.

6. Women-Minority-Disabled Veteran Business Enterprises (WMDVBE)

Pursuant to GO 156, Park states that it will make an effort to encourage, assist, and recruit WMDVBE in being appointed as lead underwriter, book runner, co-manager, or in other roles in the issuance of its proposed debt offerings, and will report on its efforts in its GO 156 Annual Report.

7. Fee

Whenever the Commission authorizes a utility to issue new securities, the Commission is required to charge and collect a fee pursuant to Pub. Util. Code §§ 1904(b) and 1904.1. The fee is calculated as follows:

⁶ See D.12-06-015, Attachment B. For the first year after authorization of the new GO, the GO 24-C report will be filed quarterly. For the second year after authorization of the new GO and for every year thereafter, the GO 24-C report will be filed semi-annually.

\$15 Million of new debt	\$1,000,000	\$2 per \$1,000	\$2,000
	\$9,000,000	\$1 per \$1,000	\$9,000
	\$5,000,000	\$0.50 per \$1,000	\$2,500
Total			\$13,500

8. Financial Information

We place Park on notice that the reasonableness of any resulting interest rate and cost of money arising from the issuance of securities as well as capital structures, is normally subject to review in the appropriate cost of capital or GRC proceeding. Therefore, we will not make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes or the appropriate cost of money. We do not make a finding in this decision on the reasonableness of Park's proposed construction program. Construction expenditures and the resulting plant balances in rate base are issues that are normally addressed in a GRC or specific application. The authority to issue new debt herein is distinct from the authority to undertake construction or the right to recover the cost of capital in rates.

9. California Environmental Quality Act (CEQA)

The CEQA applies to projects that require discretionary approval from a governmental agency, unless exempted by statute or regulation. It is long established that the act of ratemaking by the Commission is exempt from CEQA review. As stated in the California Public Resources Code, the "establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies" is exempt from CEQA.⁷ Likewise, the creation of

⁷ Public Resource Code § 21080(b)(8).

government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment is not a “project” subject to CEQA.⁸

This decision does not authorize any capital expenditures or construction projects. Construction projects which Park may finance via this application must undergo CEQA review as required by CEQA Guidelines § 15004(b).

10. Category and Need for Hearings

By Resolution ALJ 176-3304, dated November 8, 2012, the Commission preliminarily determined that this was a ratesetting proceeding and that a hearing would be necessary. No protests were filed. We affirm that this is a ratesetting proceeding, and, since no protests were filed, change the preliminary determination of a need for hearings to no hearings necessary.

11. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2) of the Commission’s Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

12. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Seaneen M. Wilson is the assigned Administrative Law Judge in this proceeding.

⁸ CEQA Guidelines § 15378(b)(4).

Findings of Fact

1. In its application, Park requested authority for new debt in the amount of \$15 million to reimburse its treasury and refinance existing debt.
 - a. Payment of principal and interest on Notes equals approximately \$2.4 million; and
 - b. Reimbursement of Park's Treasury for capital expenditures from January 2000 – August 2001 equals approximately \$13.3 million; and
 - c. Total need for funds equals approximately \$15.8 million.
2. Park has no outstanding financing authority available to offset its need for new debt.
3. The Commission has broad discretion under § 816 et seq. to determine if a utility should be authorized to issue debt securities. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt securities and stock to protect and promote the public interest.
4. In part, pursuant to Pub. Util. Code § 816, the Commission, as vested by the state, may prescribe regulations and restrictions on the issuance of debt and equity securities issues by public utilities, and supervise and control their issuance.
5. The proper term for securities issued pursuant to Pub Util. Code § 817 is greater than 12 months. Pursuant to Pub. Util. Code § 817, a public utility may only issue and use financing for selected purposes. Those purposes not listed in Pub. Util. Code § 817 may only be paid for with funds from normal utility operations.
6. Pub. Util. Code § 818 allows for exceptions to the requirements of Pub. Util. Code § 817.

7. Pub. Util. Code § 818 requires that long term debt (term of greater than 12 months) be used for proper purposes, such as purchase of regulatory assets, unless expressly permitted in an order authorizing debt securities. We have authorized such exceptions in the past for other utilities (*see* D.01-06-016, D.10-09-026 and D.11-01-034), when good cause is shown and the purposes of the debt specifically identified.

8. Pursuant to Pub. Util. Code § 824, the Commission may require, in part, that public utilities account for the disposition of the proceeds of all sales of stock and debt. Pursuant to this code section, the Commission may also establish rules to insure the disposition of such proceeds are for the purposes required by the authorizing order.

9. By GO 24-C, the Commission addresses requirements regarding how public utilities must account for the proceeds from debt securities.

10. Pub. Util. Code § 851 requires, in part, that a public utility must first secure Commission authority before it may mortgage or encumber its used and useful assets.

11. The requested authority for new debt of up to \$15 million is necessary to provide the funding required to reimburse moneys already expended from Park's treasury for the construction, completion, extension, or improvement of its facilities from January 1, 2000 through August 31, 2001 and for the retirement of one or more outstanding bonds, notes, or other evidence of indebtedness.

12. The proposed new debt requested by Park is, pursuant to Pub. Util. Code §§ 817 and 818, reasonably required for proper purposes.

13. Park borrows funds required by both its California and Montana public utility operations, and transfers capital as needed to its division and subsidiaries through inter-company transactions.

14. Park's new long-term debt will have a term of between 10 and 30 years.

15. In D.08-09-030, we authorized Park to issue new debt to reimburse its treasury for having paid off notes, and to reimburse its treasury for its previous capital expenditures funded by earnings and its treasury, incurred between November 1, 1999 through December 31, 1999, for both its California and Montana public utility operations.

16. Rule 1 of D.06-01-019 states that "Debt that is issued by Park and subsequently utilized by affiliated companies shall not be issued or guaranteed by Park without prior approval by the Commission."

17. Rule 5 of D.06-01-019 states that "Park's financing transactions for any of its affiliates or subsidiaries should not increase costs, or decrease service to its California jurisdictional customers."

18. As Park has requested our authority to issue debt that may be utilized by an affiliate, it complies with Rule 1 of D.06-01-019.

19. Since Rule 5 of D.06-01-019 addresses cost of service, compliance with it should be assessed in Park's next GRC.

20. Park's cash reserves are depleted, in part due to \$11.9 million being "tied up" in regulatory assets, primarily associated with un-recovered balances in its WRAM and MCBA accounts.

21. Park's current short-term borrowing rate ranges from 1.96% to 2.71%, while its most recent estimated long-term debt rate was 6.99%.

22. Park's current Credit Agreement for short-term debt requires a floating interest rate set at the Libor plus 250 basis points and a 25 basis point availability fee on the unused portion of the credit line. Park's new Credit Agreement, which would be extendable to 24 months, would require a floating interest rate set at Libor plus 175 basis points, a 20 basis point availability fee on the unused portion

of the credit line, and a one-time amendment fee of \$25,000. The short-term debt rate varies based on the Libor rate, which is the base rate used to determine Park's short-term debt rate.

23. It is more cost effective for Park to accumulate shorter-term debt in order to eventually issue a larger amount of long-term debt in a given issue. This would also result in reduced costs of obtaining long-term debt securities by enabling Park to issue larger amounts less frequently.

24. Granting of financing authority to a utility does not obligate the Commission to approve any capital projects. Review of the reasonableness of capital projects occurs as needed through the regulatory process applicable to each capital project.

25. The necessity or reasonableness of Park's construction budget, cash requirements forecast, and capital structure, are normally reviewed and authorized in GRCs or cost of capital proceedings.

26. The New Financing Rule set forth in D.12-06-015 replaced the CBR authorized in Resolution F-616 in 1986.

27. A public utility whose requested new financing is \$42 million or less may be granted an exemption from the New Financing Rule upon a compelling showing by the utility.

28. Pursuant to GO 156, public utilities must make an effort to encourage, assist, and recruit WMDVBE in being appointed as lead underwriter, book runner, co-manager, or in other roles in the issuance of its proposed debt offerings, and report on its efforts in its GO 156 Annual Report.

29. Park states that it will comply with GO 156.

30. CEQA applies to projects that require discretionary approval from a governmental agency, unless exempted by statute or regulation.

31. It is long established that the act of ratemaking by the Commission is exempt from CEQA review.

32. As stated in the California Public Resources Code, Public Resource Code § 21080(b)(8), the “establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies” is exempt from CEQA.

33. The creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment is not a “project” subject to CEQA (*See* CEQA Guidelines § 15378(b)(4).)

Conclusions of Law

1. Park should be authorized to issue up to \$15 million of new debt, all of which are for proper purposes and consistent with the requirement of Pub. Util. Code §§ 817 and 818.

2. Park should be authorized to issue new debt including secured First Mortgage Bonds and unsecured debt.

3. Park should be authorized to enter into one or more new indentures or supplemental indentures. Park should issue new secured First Mortgage Bonds in accordance with the provisions of its indentures.

4. Park should secure such new debt by its property and assets pursuant to Pub. Util. Code § 851.

5. New debt should be issued via private placement.

6. Park should be granted an exception from the requirements of Pub. Util. Code § 818 as it applies to Park’s new short-term debt issued under its Credit Agreement.

7. Park should be authorized to amend its Credit Agreement, and issue new short-term debt under its Credit Agreement for short-term purposes for a term of up to 24 months and record such as short-term debt.

8. Park should be able to issue such short-term debt referred to in Conclusion of Law 7 until its next request for new financing.

9. Since Park's compelling showing that the amount of its requested new debt complies with the exemption requirements detailed in the New Financing Rule, we should grant Park an exemption from the Rule.

10. The order herein should not be a finding of the reasonableness of Park's construction expenditures, the resulting plant balances in rate base, the capital structure, or the cost of money, nor should it indicate approval of matters subject to review in a GRC or other proceedings.

11. Park should remit a check for \$13,500, as required by Pub. Util. Code §§ 1904(b) and 1904.1.

12. The authority granted by this order should not become effective until Park has paid the fees prescribed by Pub. Util. Code §§ 1904(b) and 1904.1.

13. Park should not use the proceeds from the new debt authorized by this order to fund its capital projects until Park has obtained all required approvals for the projects, including any required environmental review under CEQA.

14. The order herein does not involve any commitment to any specific project which may result in a potentially significant impact on the environment; thus it is not a project subject to CEQA.

15. The authority granted Park herein is in compliance with Pub. Util. Code §§ 816, 817, 818, 824, and 851.

16. Hearings are not necessary.

17. A.12-10-016 should be closed.

O R D E R

IT IS ORDERED that:

1. Park Water Company is authorized to issue up to \$15 million of new debt securities, all of which are for proper purposes and consistent with the requirements of Public Utilities Code §§ 817 and 818.
2. Park Water Company is authorized to issue new debt securities including secured First Mortgage Bonds and unsecured debt.
3. Park Water Company is authorized to encumber its new secured debt securities pursuant to Public Utilities Code § 851.
4. Park Water Company is authorized to issue new First Mortgage Bonds in accordance with the provisions of its indentures.
5. Park Water Company is authorized to issue new debt securities through private placement.
6. Park Water Company is authorized to enter into one or more new indentures or supplemental indentures.
7. Park Water Company (Park) is granted an exception from the requirements of Public Utilities Code § 818 as it applies to Park's new short-term borrowings under its unsecured line of credit agreement.
8. Park Water Company is authorized to amend its unsecured line of credit agreement, issue new short-term debt securities under its unsecured line of credit agreement for short-term purposes for a term of up to 24 months, and to record such as short-term debt.
9. Park Water Company is granted an exemption from the New Financing Rule.

10. The order herein is not a finding of the reasonableness of Park Water Company's construction expenditures, the resulting plant balances in rate base, the capital structure, or the cost of money, nor does it indicate approval of matters subject to review in a general rate case or other proceedings.

11. The authority granted by this order does not become effective until Park Water Company (Park) has paid the fees prescribed by Public Utilities Code §§ 1904(b) and 1904.1, calculated for this decision to be \$13,500, to the California Public Utilities Commission's Fiscal Office at 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The number of this Decision must appear on the face of the check. The authority granted by this decision is effective once Park has paid the fees prescribed by Public Utilities Code § 1904(b).

12. Park Water Company (Park) may not use the proceeds from the new debt securities authorized by this order to fund its capital projects until Park has obtained all required approvals for the projects, including any required environmental review under the California Environmental Quality Act.

13. The order herein does not involve any commitment to any specific project which may result in a potentially significant impact on the environment; thus it is not a project subject to California Environmental Quality Act.

14. The authority granted Park Water Company herein is in compliance with Public Utilities Code §§ 816, 817, 818, 824, and 851.

15. The hearing determination is changed to no hearings necessary.

16. Application 12-10-016 is closed.

This order is effective today.

Dated _____, at San Francisco, California.